

Subsequent Event

An event can occur in the period between the times your closing book forms are submitted to Financial Accounting Reporting Section (**FARS**) and the completion of the West Virginia Comprehensive Annual Financial Report (**CAFR**). The expected issue date of the West Virginia CAFR is December 31st of the closing book year. During this time it is the agency's financial management responsibility to consider the effect an event may have on the financial statements.

Types of subsequent events that require the agency management's consideration and submission to FARS for evaluation are listed below:

Event(s) that provide additional evidence to financial conditions that existed at the date of the balance sheet and affect the estimates used in the process of preparing the financial statements. All information that comes available prior to the issuance of the financial should be used by management in its evaluation of the conditions on which the estimates were based. Examples are listed below:

Settlement of litigation for an amount different than the amount reported on the account that gave rise to the litigation and had taken place prior to the balance sheet date.

Event(s) that provides evidence with respect to conditions that did not exist at the date of the balance sheet being reported on but, arose subsequent to that date. Upon evaluation made by FARS and independent auditors, the event(s) may require disclosure to the financial statements to keep the statements from being misleading. Examples are listed below:

- Sale of bond or Issuance of Capital Stock.
- Settlement of litigation when the event giving rise to the claim took place subsequent to the balance sheet date.
- Loss as a result of fire or flood (Natural Disaster)

If an event occurs subsequent to the end of your agency's fiscal year that may require note disclosure in West Virginia's CAFR, the agency should contact FARS at the time the agency is aware of the event. If the Event is deemed material to the State it will be reported or disclosed properly in the State's CAFR.

It is important for readers of the financial statements to be aware of certain events and transactions that occur subsequent to the end of the fiscal year, but prior to the issuance of the financial statements. Generally, if a debt investment's credit rating is downgraded during this time period, it may constitute a "subsequent event" subject to disclosure. GAAP requires disclosure of a subsequent event when the omission of the disclosure would cause the financial statements to be misleading.

As listed above, common events are debt issuances and settlement or initiation of litigation. Please identify all information, including official statements related to the acquisition, extinguishment and /or changes to long term debt (bonds, notes/loans, or mortgages) and other subsequent events that occurred after June 30, 2015. Even if the recording deadline for an item has passed, report to FARS immediately all subsequent events or new evidence that indicates an account is misstated by an amount that would be material to their operations. Refer to *Codification of Statements on Auditing Standards*, Section 560, for reporting subsequent events.

- FARS may adjust account balances or provide footnote disclosure. Contact FARS to discuss the procedure on handling your event at 304-558-4083.